



**JOHN CHIANG**  
**California State Controller**

July 25, 2013

William H. Duncan IV, Superintendent/President  
Sierra Joint Community College District  
5000 Rocklin Road  
Rocklin, CA 95677

Dear Mr. Duncan:

The State Controller's Office reviewed the costs claimed by the Sierra Joint Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, Second Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2008, through June 30, 2010. Our review was limited to validating the counseling costs, indirect costs, and authorized health service fees that the district reported.

The district claimed \$849,633 for the mandated program. Our review found that \$71,861 is allowable (\$73,747 less a \$1,886 penalty for filing a late claim) and \$777,772 is unallowable. The costs are unallowable because the district overstated salaries and benefits, overstated indirect costs, and understated authorized health service fees, as described in the attached Summary of Program Costs, and Findings and Recommendations.

For the fiscal year (FY) 2008-09 claim, the State made no payment to the district. Our review found that \$16,974 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$416,487. Our review found that \$54,887 is allowable. The State will offset \$361,600 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

William H. Duncan IV,  
Superintendent/President

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July 25, 2013

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

Attachments

RE: S13-MCC-945

cc: Kerri Hester, Director of Finance  
Sierra Joint Community College District  
Mollie Quasebarth, Principal Program Budget Analyst  
Education Systems Unit, California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit, California Department of Finance  
Christine Atalig, Specialist, College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Attachment 1— Summary of Program Costs July 1, 2008, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 664,358	\$ 493,903	\$ (170,455)	Finding 1
Services and supplies	200,065	200,065	—	
Total direct costs	864,423	693,968	(170,455)	
Indirect costs	408,353	223,689	(184,664)	Finding 2
Total direct and indirect costs	1,272,776	917,657	(355,119)	
Less authorized health service fees	(810,588)	(869,755)	(59,167)	Finding 3
Less offsetting savings/reimbursements	(29,042)	(29,042)	—	
Less late filing penalty <sup>2</sup>	—	(1,886)	(1,886)	
Total program costs	<u>\$ 433,146</u>	16,974	<u>\$ (416,172)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,974</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 673,831	\$ 521,872	\$ (151,959)	Finding 1
Services and supplies	166,600	166,600	—	
Total direct costs	840,431	688,472	(151,959)	
Indirect costs	397,019	236,930	(160,089)	Finding 2
Total direct and indirect costs	1,237,450	925,402	(312,048)	
Less authorized health service fees	(794,140)	(843,692)	(49,552)	Finding 3
Less offsetting savings/reimbursements	(26,823)	(26,823)	—	
Total program costs	<u>\$ 416,487</u>	54,887	<u>\$ (361,600)</u>	
Less amount paid by the State		(416,487)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (361,600)</u>		
<u>Summary: July 1, 2008, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 1,338,189	\$ 1,015,775	\$ (322,414)	
Services and supplies	366,665	366,665	—	
Total direct costs	1,704,854	1,382,440	(322,414)	
Indirect costs	805,372	460,619	(344,753)	
Total direct and indirect costs	2,510,226	1,843,059	(667,167)	
Less authorized health service fees	(1,604,728)	(1,713,447)	(108,719)	
Less offsetting savings/reimbursements	(55,865)	(55,865)	—	
Less late filing penalty	—	(1,886)	(1,886)	
Total program costs	<u>\$ 849,633</u>	71,861	<u>\$ (777,772)</u>	
Less amount paid by the State		(416,487)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (344,626)</u>		

<sup>1</sup> See Attachment 2, Findings and Recommendations.

<sup>2</sup> The district filed its FY 2008-09 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000.

## Attachment 2— Findings and Recommendations July 1, 2008, through June 30, 2010

### **FINDING 1— Overstated salaries and benefits**

The district claimed unallowable counseling-related salaries and benefits totaling \$322,414. For the review period, the district claimed 5% of all counselors' salaries and benefits. However, the district did not provide documentation supporting the 5% allocation.

The district prepared a time study plan that it submitted to the SCO on September 3, 2010. The district conducted a time study during September and October 2010 to support counseling costs claimed. The district's time study plan indicated that all 19 full-time general fund counselors would participate in the time study. However, the district submitted time study documentation for only 7 of the 19 counselors. Of the seven counselors who completed the time study, six also performed counseling activities during the audit period. The following table summarizes the district's time study results:

	Mandate- Related Hours Worked	Total Hours Worked	Percentage of Mandate- Related Time
Counselor No. 1	7.08	128.00	5.53%
Counselor No. 2*	6.25	248.00	2.52%
Counselor No. 3	30.00	312.00	9.62%
Counselor No. 4	9.25	312.00	2.96%
Counselor No. 5	6.00	312.00	1.92%
Counselor No. 6	2.50	312.00	0.80%
Counselor No. 7	3.08	208.00	1.48%

\* This counselor did not perform counseling activities during the review period.

Because the district did not complete the time study in accordance with its time study plan, we did not allow the district to prorate the time study results to total counseling costs. However, we allowed costs attributable to those counselors who both participated in the time study and performed counseling activities during the review period. We calculated allowable costs by applying each counselor's time study percentage to his or her annual salary cost during the review period.

The following table summarizes the allowable counseling costs and the resulting review adjustment:

	Fiscal Year		Total
	2008-09	2009-10	
Counselor No. 1:			
Salaries and benefits	\$ 92,882	\$ 102,454	
Percentage of mandate-related time	x 5.53%	x 5.53%	
Allowable salaries and benefits, Counselor No. 1	5,136	5,666	
Counselor No. 3:			
Salaries and benefits	123,075	113,233	
Percentage of mandate-related time	x 9.62%	x 9.62%	
Allowable salaries and benefits, Counselor No. 3	11,840	10,893	
Counselor No. 4:			
Salaries and benefits	7,940	142,133	
Percentage of mandate-related time	x 2.96%	x 2.96%	
Allowable salaries and benefits, Counselor No. 4	235	4,207	
Counselor No. 5:			
Salaries and benefits	117,481	117,771	
Percentage of mandate-related time	x 1.92%	x 1.92%	
Allowable salaries and benefits, Counselor No. 5	2,256	2,261	
Counselor No. 6:			
Salaries and benefits	107,454	112,956	
Percentage of mandate-related time	x 0.80%	x 0.80%	
Allowable salaries and benefits, Counselor No. 6	860	904	
Counselor No. 7:			
Salaries and benefits	112,990	113,240	
Percentage of mandate-related time	x 1.48%	x 1.48%	
Allowable salaries and benefits, Counselor No. 7	1,672	1,676	
Total allowable counseling-related salaries and benefits	21,999	25,607	\$ 47,606
Less claimed counseling-related salaries and benefits	(192,454)	(177,566)	(370,020)
Review adjustment, salaries and benefits	\$ (170,455)	\$ (151,959)	\$ (322,414)

The program's parameters and guidelines state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

For salaries and benefits specifically, the parameters and guidelines direct claimants to:

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. *The average number of hours devoted to each function may be claimed if supported by a documented time study* [emphasis added].

#### Recommendation

Mandate-related counseling is not a task that is repetitive in nature. As a result, a time study of less than one year does not reasonably show the validity of claimed costs. We recommend that the district maintain actual time records for all full-time counselors for a full fiscal year to support counseling costs claimed. Thereafter, the district may use the full fiscal year time study results to identify mandate-related counseling costs for two subsequent fiscal years.

**FINDING 2—  
Overstated indirect  
costs**

The district overstated indirect costs by \$344,753. The district's indirect cost rate calculations and claimed costs did not comply with the parameters and guidelines and the SCO's claiming instructions for the following reasons:

- For fiscal year (FY) 2008-09, the district incorrectly identified Community Relations costs as indirect costs.
- For FY 2009-10, the district claimed indirect costs based on an indirect cost rate calculated from FY 2008-09 actual costs rather than FY 2009-10 actual costs.
- For both fiscal years, the district claimed indirect costs attributable to overstated salaries and benefits. In addition, the district applied its indirect cost rate to total direct costs rather than to salaries and benefits only.

We calculated allowable indirect cost rates based on actual costs that the district identified in its CCFS-311 reports and independent audit reports. The following table summarizes the allowable indirect cost rate calculation for FY 2008-09:

Activity	Indirect - Salaries, Benefits, and Operating Expenses	Direct - Salaries and Benefits Only
Instructional activities	\$ -	\$ 37,488,865
Instructional administration and governance	-	3,926,622
Instructional support services	-	1,916,880
Admission and records	-	1,497,471
Student counseling and guidance	-	3,991,784
Other student services	-	4,507,828
Operation and maintenance of plant	6,257,782	-
Planning, policy making, and coordination	2,799,742	-
General institutional support services:	-	-
Community relations	-	568,292
Fiscal operations	3,659,473	-
Human resources management	978,047	-
Non-instructional staff retirees' benefits and retirement incentives	1,140,531	-
Staff development	327,437	-
Staff diversity	107,262	-
Logistical services	876,601	-
Management information systems	4,859,751	-
Other general institutional support services	92,066	-
Community services and economic development	-	1,663,272
Ancillary services	-	1,394,087
Auxiliary operations	-	4,714
Depreciation	4,696,166	-
Totals	<u>\$ 25,794,858</u> (A)	<u>\$ 56,959,815</u> (B)
Allowable indirect cost rate, FY 2008-09 ((A) ÷ (B))	<u>45.29%</u>	

The following table summarizes the allowable indirect cost rate calculation for FY 2009-10:

Activity	Indirect - Salaries, Benefits, and Operating Expenses	Direct - Salaries and Benefits Only
Instructional activities	\$ -	\$ 37,339,791
Instructional administration and governance	-	4,057,685
Instructional support services	-	1,844,904
Admission and records	-	1,434,621
Student counseling and guidance	-	3,460,109
Other student services	-	4,283,525
Operation and maintenance of plant	5,580,537	-
Planning, policy making, and coordination	2,981,204	-
General institutional support services:		
Community relations	-	555,455
Fiscal operations	3,440,128	-
Human resources management	1,197,955	-
Non-instructional staff retirees' benefits and retirement incentives	1,263,162	-
Staff development	351,681	-
Staff diversity	86,218	-
Logistical services	889,372	-
Management information systems	5,064,454	-
Other general institutional support services	91,969	-
Community services and economic development	-	1,516,864
Ancillary services	-	1,119,706
Auxiliary operations	-	-
Depreciation	4,299,253	-
Totals	<u>\$ 25,245,933</u>	<u>\$ 55,612,660</u>
	(C)	(D)
Allowable indirect cost rate, FY 2009-10 ((C) ÷ (D))	<u>45.40%</u>	

The following table summarizes the review adjustment:

	Fiscal Year		Total
	2008-09	2009-10	
Allowable salaries and benefits	\$ 493,903	\$ 521,872	
Allowable indirect cost rate	x 45.29%	x 45.40%	
Allowable indirect costs	223,689	236,930	\$ 460,619
Less indirect costs claimed	(408,353)	(397,019)	(805,372)
Review adjustment	<u>\$ (184,664)</u>	<u>\$ (160,089)</u>	<u>\$ (344,753)</u>

The parameters and guidelines state, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions."

The SCO's claiming instructions state, "A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C). . . ."

#### Recommendation

We recommend that the district claim indirect costs using indirect cost rates calculated in accordance with the SCO's FAM-29C methodology specified in the SCO's claiming instructions.



**FINDING 3—  
Understated authorized  
health service fees**

The district understated authorized health service fees by \$108,719.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing, or (2) are attending a community college under an approved apprenticeship training program. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). The following table summarizes the authorized fee per student:

Fiscal Year	Authorized Health Fee Rate	
	Fall/Spring Semester	Summer Session/ Winter Intersession
2008-09	\$ 17	\$ 14
2009-10	17	14

We obtained student enrollment and apprenticeship program enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its management information system (MIS) based on student data that the district reported. The CCCCCO identified the district’s enrollment based on MIS data element STD7, codes A through G. Within the student enrollment, the CCCCCO identified the number of apprenticeship program enrollees based on its Data Element SB23, Code 1.

The following table shows the authorized health service fee calculation and review adjustment:

	Period			Total
	Summer Session	Fall Semester	Spring Semester	
Fiscal Year 2008-09:				
Number of enrolled students	9,038	22,136	21,585	
Less number of apprenticeship program enrollees	—	(1)	(1)	
Subtotal	9,038	22,135	21,584	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$(126,532)</u>	<u>\$(376,295)</u>	<u>\$(366,928)</u>	\$ (869,755)
Less authorized health service fees claimed				<u>810,588</u>
Review adjustment, FY 2008-09				<u>(59,167)</u>
Fiscal Year 2009-10:				
Number of enrolled students	8,336	21,803	20,961	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$(116,704)</u>	<u>\$(370,651)</u>	<u>\$(356,337)</u>	(843,692)
Less authorized health service fees claimed				<u>794,140</u>
Review adjustment, FY 2009-10				<u>(49,552)</u>
Total review adjustment				<u>\$ (108,719)</u>

### Recommendation

We recommend that the district deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on MIS data element STD7, codes A through G. We also recommend that the district identify the number of apprenticeship program enrollees based on data elements SB 23, code 1, and STD7, codes A through G. In addition, we recommend that the district maintain documentation that identifies any students the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1).